

**DATE:** June 21, 2012

**TO:** California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

**FROM:** Redding Electric Utility

**SUBJECT:** Comments on Potential Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions and Cap-And-Trade Leakage Monitoring.

## Redding Electric Utility

The Redding Electric Utility (“REU”) respectfully submits these comments on the “Potential Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions”, as well as the proposal to monitor leakage associated with the cap-and-trade program, both developed by the California Air Resources Board (“CARB”).

REU is local publicly owned municipal utility and a department of the City of Redding. REU serves 43,000 customers with a peak load of 253 MW. REU maintains a resource mix, including hydroelectric, eligible renewable resources, and fossil fuel sources.

REU has consistently supported the goals of AB 32 and participated in CARB’s mandatory greenhouse gas (GHG) reporting proceedings in an effort to ensure that the reporting regulations were developed in a manner that is consistent with electric utility business practices. REU is on record as supporting the original Mandatory Reporting Rule (“MRR”) adopted December 2007, and has been active GHG emissions reporters since the beginning of the program. REU understands the need to coordinate the MRR with reporting regulations adopted by the Environmental Protection Agency (EPA) that occurred following the adoption of CARB’s MRR, and also to effectively capture the information necessary to coordinate with the CARB cap-and-trade program. Thus, REU has reviewed the discussion draft of the potential MRR amendment and offers the following comments.

## MRR Complexity

Any changes made to the MRR should simplify the rule in a manner that “seeks to minimize costs and maximize total benefits to California”<sup>1</sup>. CARB should “Consider cost-effectiveness of these regulations”<sup>2</sup> and “Minimize the administrative burden of implementing and complying with these regulations”<sup>3</sup>. When considering amendments to the MRR, CARB should “Review existing and proposed international, federal, and state greenhouse gas emission reporting programs and make reasonable efforts to promote

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<sup>1</sup> California Global Warming Solutions Act of 2006, Part 4, 38562(b) (1)

<sup>2</sup> California Global Warming Solutions Act of 2006, Part 4, 38562(b) (5)

<sup>3</sup> California Global Warming Solutions Act of 2006, Part 4, 38562(b) (7)

consistency among the programs established pursuant to this part and other programs, and to streamline reporting requirements on greenhouse gas emission sources.”<sup>4</sup>

REU is concerned that CARB is increasing the complexity of the MRR and moving away from the AB 32 intent of minimizing costs and administrative burden, and harmonizing the rule with existing EPA GHG reporting rules. CARB’s proposal to “hard-code” in requirements that currently exist in the federal reporting rules is not consistent with the goals AB 32. REU supports efforts to eliminate California specific requirements, and defer to existing EPA GHG reporting rule protocols. REU does not recognize the need to have more stringent regulations than the existing federal rules. This creates a burden on CARB as well as reporting entities. REU does not believe that federal rules are “not good enough” for California, and suggest that eliminating California specific requirements will be a cost savings to all and will not degrade the goal of accurately reporting emissions.

## Use of the Term “Measured”

Throughout Section 95111 the regulation requires electric power entities to report quantities of electricity “as measured...” at points of receipt or delivery.<sup>5</sup> This is an impossible requirement in almost all cases because electricity for individual transactions is not normally able to be measured. Generation is measured at the source. All, none, or a subset of that generation is then e-tagged in whole megawatt-hours as part of a transaction. At no point on the transmission path is energy associated with a single transaction measured. Once the energy enters the grid it is mixed with energy from other sources. REU recommends changing the term “measured” to “quantified” (as the quantity on the tag).

## Amendment Regarding the Full Name of the POR/POD

REU supports the language amendment that only requires the full name of the POR/POD if it is available.<sup>6</sup> The full name of the POR/POD is not part of the POR/POD registry, and is not easily available. To provide the name of the POR/POD when it is not included in the registry would require individually contacting literally thousands of POR/PODs, the cost and time of which is not warranted in light of the minimal benefit such information adds to achieving the overall GHG reduction goals of AB 32.

## Removing Bonneville Power Administration from the Regulation Text

REU supports the changes throughout Section 95111 to eliminate the Bonneville Power Administration (“BPA”) from the regulation text. This simply makes sense, since future asset-controlling suppliers may emerge that would have possibly required regulation amendments.

During the May 30<sup>th</sup> workshop it was questioned whether BPA would be required to report their GHG emissions annually in order for CARB to provide a BPA specific emissions factor. REU would like

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<sup>4</sup> California Global Warming Solutions Act of 2006, Part 2, 38530(c)(2)

<sup>5</sup> 95111(a)(3)(B), 95111(a)(4)(A)2, 95111(a)(5)(C), 95111(a)(6)(A), 95111(a)(8), 95111(b)(1), 95111(b)(2), 95111(b)(3)

<sup>6</sup> 95111(a)(2)

regulation language to assure that if BPA does not report, their “replacement” or “estimated” emission factor reflect actual emissions to the extent possible, and that it is not replaced with the emission factor for unspecified sources. Currently, the BPA emission factor is 20% of the unspecified source emission factor. Reporting entities should not be unnecessarily penalized with a compliance obligation for emissions that did not occur, which would happen if the unspecified emission factor was used instead.

## **Changes to the RPS Adjustment in the Calculation of Covered Emissions<sup>7</sup>**

SBX1-2 requires all California electric utilities, including Publicly Owned Utilities (“POUs”), to meet Renewable Portfolio Standards (“RPS”) as outlined in the bill language. SBX1-2 allows for Renewable Energy Credits (“RECs”) to be banked for up to 36 months from the date that the corresponding renewable energy is generated. In addition, SBX1-2 allows for those contracts that were approved by the governing boards of electric utilities prior to June 1, 2010 to count in full toward the electric utility’s RPS regardless of the renewable project’s geographic location.

Section 95852(b) (4) (B) of CARB’s Final regulation Order states:

The RECs associated with the electricity claimed for the RPS adjustment must be used to comply with California RPS requirements during the same year in which the RPS adjustment is claimed.

The Utilities interpret this to clearly mean that the RPS adjustment must be claimed in the same year that RECs are turned in for RPS compliance, and not necessarily in the same year that the energy was generated. This interpretation also matches the California Energy Commission’s (“CEC”) enforcement for SBX1-2.

To require that the RPS adjustment must be claimed in the same year as the energy is generated would create additional costs, confusion, discrepancies and complexity between CARB’s and the CEC’s compliance filings. Tracking RECs for compliance with one regulatory program is complex enough; creating two conflicting regulatory guidelines would be unnecessarily burdensome to all utilities and only lends itself to creating additional opportunities for error. CARB’s proposed RPS adjustment would unfairly punish those utilities that have procured excess renewables in any given year by creating a situation where they either lose out on the GHG benefit of the renewable resource or the ability to bank the resource for future RPS compliance. Either way, the utility would be punished for its early action.

In addition, the CEC’s recently released RPS Eligibility Guidebook asks utilities to “postpone reporting of 2011 RPS procurement until finalization of the sixth edition of the RPS Eligibility Guidebook”, which the Utilities understand will be released towards the end of 2012, if not early 2013. Until then, “retail sellers and POU’s should not retire or report procurement for 2011 unless necessary” (p 70). This is in direct conflict with the MRR’s requirement to retire REC’s by July 12th of 2012 in order to receive GHG credit for imported renewable resources for the 2011 Emissions Year. The Utilities recognize that the only

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<sup>7</sup> The Turlock Irrigation District with the assistance of the Modesto Irrigation District authored and supports these comments related to changes in the RPS adjustment. Thus, all three entities are referred to as “the Utilities” throughout this section.

savings for emissions years 2011 and 2012 RPS adjustments come from reduced AB32 Administrative Fees (Cost of Implementation) for Fiscal Year 2013-2014, given that cap-and-trade compliance obligations do not start accruing until January 1st, 2013.

Further, utilities should not be forced to make such significant decisions in the near term which could detrimentally affect their Utilities Operations, Finances, and Risk, due to conflicting policies and enforcement of regulations by different agencies. Therefore, the Utilities request that CARB work with the CEC and CPUC to harmonize how REC's are treated for RPS and GHG compliance. The Utilities offer the following points for consideration for CARB's discussion with CEC/CPUC:

- The "retirement" of a REC in WREGIS vernacular simply means to "remove a REC from circulation" (Operating Rules, P.5). Once retired, a REC cannot be traded or transferred and is essentially unavailable to the market.
- The retirement of a REC should not preclude an entity from banking a REC for compliance in a future year. For example, if Entity A has an RPS compliance obligation of 400,000 MWh, and imports 425,000 MWh from eligible out of state renewable resources, that entity should be able to carry forward 25,000 REC's for future compliance and not be forced to over comply with the RPS for GHG purposes, as doing so would be punitive and would not properly recognize the zero GHG attributes of out of state CA RPS eligible procurement. Compliance entities should not have to choose between GHG and RPS benefit for zero emission, RPS eligible procurement.
- 95111(b)(5) states "...the status of RECs shall be reported as retired or not retired. REC's not retired are assumed to have been banked for future use." Does that mean, for example, that REC's from vintage 2013 can be used for GHG credit in 2020? The regulation is silent on the use of banked RECs, and does not provide for how banked REC's are to be treated in future years.

The Utilities also reference comments made in response to the May 4th First Deliverer workshop regarding the RPS adjustment.

## Changes to Additional Requirement for Retail Providers

The current MRR requires "Retail providers that report as electricity importers also must separately report electricity imported from specified and unspecified sources by other electric power entities to serve their load, designating the electricity importer."<sup>8</sup> CARB is proposing to amend this language by adding this at the end: "In addition, all transactions documented by NERC e-Tags where the retail provider is the PSE at the final point of delivery must be reported." REU strongly opposes the new language, and proposes to eliminate this entire subsection (4). This is not needed to determine and reduce GHG emissions. The additional proposal unnecessarily expands the report to a whole universe of e-Tags. All facilities in California already report their emissions, and imports are already reported via e-Tags. This requirement is overly burdensome, and not a cost-effective way for reporting entities to

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<sup>8</sup> 95111(c)(4)

spend their time. It is not in harmony with the AB 32 goals stated earlier, and serves to make compliance with the MRR increasingly complex.

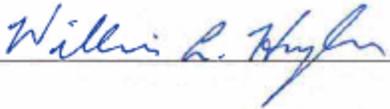
## Cap-and-Trade Leakage Monitoring

CARB staff is proposing new data collecting requirements to monitor emissions leakage associated with the cap-and-trade program. The proposal includes facility level economic data such as value of products/commodities, annual payroll before deductions, total capital expenditures for new and used buildings, machinery, fuels, electricity, number of production workers and other employees, etc.

REU opposes additional data collecting or reporting requirements. The MRR is complex enough without adding an additional administrative burden. This requirement is huge, and would consume a lot of resources and time for a possible benefit of monitoring leakage. REU proposes that this requirement would cause leakage itself. It has the potential to be more onerous than the current MRR. The minor benefit, if any, is certainly outweighed by the administrative burden. CARB should drop this proposal and seek discussion with stakeholders on how leakage could be monitored.

## Conclusion

REU appreciates the opportunity to comment on these very important topics. It is our hope that our comments are thoughtfully considered in the MRR amendments, and proposed reporting requirements regarding cap-and-trade leakage.



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